

Audited Financial Statements



December 31, 2023 and 2022

Quigley & Miron

Food Finders, Inc.
Audited Financial Statements
Table of Contents
December 31, 2023 and 2022

Page
Number

Independent Auditor's Report.....	1
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Audited Financial Statements

Statements of Financial Position.....	3
Statements of Activities.....	5
Statements of Functional Expenses.....	7
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10

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Independent Auditor's Report

Board of Directors
Food Finders, Inc.
Los Alamitos, California

Opinion

We have audited the accompanying financial statements of Food Finders, Inc. (Organization), a nonprofit organization, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter: Prior Period Restatement

As discussed in Note 7 to the financial statements, the 2021 financial statements were restated to reduce cash and net assets at December 31, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Los Angeles, California
July 23, 2024

A handwritten signature in black ink, reading "Zigley & Miron". The signature is written in a cursive, flowing style with a large, stylized 'Z' and 'M'.

Food Finders, Inc.
Statement of Financial Position
December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$ 424,191	\$ 366,310	\$ 790,501
Investments—Note 4	270,221		270,221
Grants and contributions receivable	54,569		54,569
Prepaid expenses	7,899		7,899
In-kind inventory—Note 8	71,443		71,443
Property and equipment, net—Note 5	271,832		271,832
Deposits	8,678		8,678
Operating lease right-of-use asset—Note 10	99,049		99,049
Total Assets	\$ 1,207,882	\$ 366,310	\$ 1,574,192
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	\$ 2,213	\$	\$ 2,213
Credit cards payable	495		495
Accrued payroll and benefits	51,301		51,301
Operating lease liability—Note 10	102,307		102,307
Total Liabilities	156,316		156,316
Net Assets			
Without donor restrictions			
Undesignated	887,609		887,609
Board-designated—Note 6	163,957		163,957
Total Net Assets			
Without Donor Restrictions	1,051,566		1,051,566
With donor restrictions—Note 6		366,310	366,310
Total Net Assets	1,051,566	366,310	1,417,876
Total Liabilities and Net Assets	\$ 1,207,882	\$ 366,310	\$ 1,574,192

See notes to financial statements.

Food Finders, Inc.
Statement of Financial Position
December 31, 2022, as Restated

	Without Donor Restrictions	With Donor Restrictions	Total, as Restated
Assets			
Cash and cash equivalents	\$ 754,983	\$ 614,748	\$ 1,369,731
Investments—Note 4	11,991		11,991
Prepaid expenses	2,654		2,654
In-kind inventory—Note 8	20,961		20,961
Property and equipment, net—Note 5	106,364		106,364
Deposits	8,678		8,678
Operating lease right-of-use asset—Note 10	174,733		174,733
Total Assets	\$ 1,080,364	\$ 614,748	\$ 1,695,112
Liabilities and Net Assets			
Liabilities			
Credit cards payable	\$ 498		\$ 498
Accrued payroll and benefits	60,574		60,574
Operating lease liability—Note 10	174,466		174,466
Total Liabilities	235,538		235,538
Net Assets			
Without donor restrictions			
Undesignated	659,474		659,474
Board-designated—Note 6	185,352		185,352
Total Net Assets Without Donor Restrictions	844,826		844,826
With donor restrictions—Note 6		614,748	614,748
Total Net Assets	844,826	614,748	1,459,574
Total Liabilities and Net Assets	\$ 1,080,364	\$ 614,748	\$ 1,695,112

See notes to financial statements.

Food Finders, Inc.
Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Public Support and Revenue			
Government grants	\$ 412,007	\$	\$ 412,007
Grants and contributions	1,256,157	267,843	1,524,000
Special events			
Gross revenue	175,215		175,215
Less cost of direct benefit to donors	(112,267)		(112,267)
Special Events, Net	62,948		62,948
Donated food—Note 8	31,011,597		31,011,597
Interest and dividends	25,849		25,849
Total Public Support and Revenue	32,768,558	267,843	33,036,401
Net assets released from restrictions	516,281	(516,281)	
Total Public Support, Revenue, and Releases from Restrictions	33,284,839	(248,438)	33,036,401
Expenses			
Food distribution	32,565,703		32,565,703
Supporting services			
Management and general	279,593		279,593
Fundraising	232,940		232,940
Total Expenses	33,078,236		33,078,236
Change in Net Assets from Operations	206,603	(248,438)	(41,835)
Nonoperating Activities			
Investment return, net—Note 4	137		137
Total Nonoperating Activities	137		137
Change in Net Assets	206,740	(248,438)	(41,698)
Net Assets at Beginning of Year	844,826	614,748	1,459,574
Net Assets at End of Year	\$ 1,051,566	\$ 366,310	\$ 1,417,876

See notes to financial statements.

Food Finders, Inc.
Statement of Activities
Year Ended December 31, 2022, as Restated

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Public Support and Revenue			
Government grants	\$ 252,169	\$	\$ 252,169
Grants and contributions	884,222	94,965	979,187
Special events			
Gross revenue	164,072		164,072
Less cost of direct benefit to donors	(101,442)		(101,442)
Special Events, Net	62,630		62,630
Donated food—Note 8	26,302,735		26,302,735
Merchandise sales	22		22
Interest and dividends	3,000		3,000
Total Public Support and Revenue	27,504,778	94,965	27,599,743
Net assets released from restrictions	220,214	(220,214)	
Total Public Support, Revenue, and Releases from Restrictions	27,724,992	(125,249)	27,599,743
Expenses			
Food distribution	27,588,752		27,588,752
Management and general	261,247		261,247
Fundraising	183,720		183,720
Total Expenses	28,033,719		28,033,719
Change in Net Assets From Operating Activities	(308,727)	(125,249)	(433,976)
Nonoperating Activities			
Investment return, net—Note 4	(352)		(352)
Total Nonoperating Activities	(352)		(352)
Change in Net Assets	(309,079)	(125,249)	(434,328)
Net Assets at Beginning of Year, as Previously Reported	1,224,935	739,997	1,964,932
Prior period restatement—Note 7			
To adjust cash	(64,125)		(64,125)
Cumulative effect of adoption of ASU 2016-02, <i>Leases</i>			
—Note 10	(6,905)		(6,905)
Net Assets at Beginning of Year, as Restated	1,153,905	739,997	1,893,902
Net Assets at End of Year	\$ 844,826	\$ 614,748	\$ 1,459,574

See notes to financial statements.

Food Finders, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

	Food Distribution	Supporting Services Management and General	Fundraising	Special Events	Total
Salaries	\$ 541,627	\$ 107,837	\$ 177,676	\$	\$ 827,140
Payroll taxes	44,311	8,822	14,536		67,669
Employee benefits	18,150	3,614	5,954		27,718
Total Personnel Expenses	604,088	120,273	198,166		922,527
Food distributions	31,673,655				31,673,655
Cost of direct benefits to donors				112,267	112,267
Occupancy	69,851	9,837	11,427		91,115
Food delivery	64,615				64,615
Depreciation	46,389	1,292	1,767		49,448
Supplies	36,600	7,288	12,006		55,894
Computer software and support		47,462			47,462
Contract services		27,795			27,795
Insurance	35,425	2,789	4,173		42,387
Volunteer development	17,261				17,261
Advertising and promotion		39,726			39,726
Telephone	7,809	1,555	2,561		11,925
Repairs and maintenance	6,157	736	1,007		7,900
Office		7,745			7,745
Bank and finance charges		7,476			7,476
Dues, fees, and subscriptions		5,021			5,021
Travel	3,005	598	986		4,589
Postage	848		847		1,695
Total Expenses by Function	32,565,703	279,593	232,940	112,267	33,190,503
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(112,267)	(112,267)
Total Expenses	\$ 32,565,703	\$ 279,593	\$ 232,940	\$	\$ 33,078,236

See notes to financial statements

Food Finders, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

		Supporting Services			
	Food Distribution	Management and General	Fundraising	Special Events	Total
Salaries	\$ 621,866	\$ 127,220	\$ 146,145	\$	\$ 895,231
Payroll taxes	48,686	9,960	11,442		70,088
Employee benefits	21,634	4,426	5,084		31,144
Total Personnel Expenses	692,186	141,606	162,671		996,463
Food distributions	26,612,154				26,612,154
Cost of direct benefits to donors				101,442	101,442
Occupancy	69,705	9,726	11,399		90,830
Food delivery	63,979				63,979
Depreciation	55,471	1,353	1,852		58,676
Supplies	37,111	944	1,084		39,139
Computer software and support		33,270			33,270
Contract services		31,794			31,794
Insurance	22,302	2,690	2,157		27,149
Volunteer development	17,395				17,395
Advertising and promotion		17,160			17,160
Telephone	7,744	1,584	1,820		11,148
Repairs and maintenance	6,913	826	1,131		8,870
Office		7,612			7,612
Bank and finance charges		7,102			7,102
Dues, fees, and subscriptions		5,219			5,219
Travel	1,767	361	415		2,543
Postage	1,191		1,191		2,382
Equipment rental	834				834
Total Expenses by Function	27,588,752	261,247	183,720	101,442	28,135,161
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(101,442)	(101,442)
Total Expenses	\$ 27,588,752	\$ 261,247	\$ 183,720	\$	\$ 28,033,719

See notes to financial statements

Food Finders, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flow from Operating Activities		
Change in net assets	\$ (41,698)	\$ (441,233)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	49,448	58,676
Unrealized (gain) loss on investments	(332)	252
Noncash lease expense	75,684	(174,733)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(54,569)	44,093
Prepaid expenses	(5,245)	10,762
In-kind inventory	(50,482)	967
Deposits		(2,000)
Accounts payable and accrued liabilities	2,213	(3,151)
Credit cards payable	(3)	(4,696)
Accrued payroll and benefits	(9,273)	4,525
Operating lease liability	(72,159)	174,466
Net Cash Used in Operating Activities	(106,416)	(332,072)
Cash Flow from Investing Activities		
Purchases of investments	(257,898)	(235)
Purchase of equipment	(214,916)	(15,848)
Net Cash Used in Investing Activities	(472,814)	(16,083)
Decrease in Cash and Cash Equivalents	(579,230)	(348,155)
Cash and Cash Equivalents		
at Beginning of Year, as reported in 2022	1,369,731	1,782,011
Prior period restatement		(64,125)
Cash and Cash Equivalents		
at Beginning of Year, as restated in 2022	1,369,731	1,717,886
Cash and Cash Equivalents		
at End of Year	\$ 790,501	\$ 1,369,731
Supplementary Disclosures		
Income taxes paid	\$	\$
Interest paid	\$	\$

See notes to financial statements.

Food Finders, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 1—Organization

Founded in February 1989, Food Finders, Inc. (Organization) is a food recovery organization that links surplus food donations from local businesses to our non-profit partners that provide meal or pantry services. Its primary goal is to reduce food waste while also feeding those in need and reducing hunger. The Organization serves all of Los Angeles, Orange, Riverside and San Bernardino counties, working with more than 600 food donors and serving more than 400 nonprofit partners.

Currently, 38% of the U.S. food supply remains uneaten or unserved while 1 in 4 households are experiencing food insecurity. The Organization's mission is addressing these two intersecting issues to eliminate hunger a food waste while at the same time improving nutrition in the food insecure communities it serves. In 2023 and 2022 the Organization rescued 16 million and 13 million pounds of food, respectively. This provided over 13.5 million and 11.5 million meals, saved over 7 billion and 4.7 billion gallons of water, and diverted over 8.7 million and 5.6 million pounds of methane gas from landfills, respectively.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. The Organization's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of the Organization to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires or is satisfied within the reporting period in which the contribution is recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization's food distribution services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Note 2—Summary of Significant Accounting Policies—Continued

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2023 and 2022. Generally, the Organization’s information returns remain open for examination for a period of three years (federal) or four years (state of California) from the date of filing.

Recently Adopted Accounting Principles

Credit Losses—In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The new guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income, including loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Organization elected to early adopt ASU No. 2016-13 on a retrospective basis for the year ended December 31, 2022 with no resulting impact on the financial statement presentation.

Gifts-in-Kind—In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity’s policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. The Organization adopted ASU No. 2020-07 on a retrospective basis for the year ended December 31, 2022, and has adjusted the presentation of the financial statements accordingly.

Leases—In February 2016, FASB issued ASU No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. This standard is applicable to leases with terms exceeding 12 months and requires lessees to recognize the assets and related liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets without donor restrictions in the period of adoption. The Organization adopted ASU 2016-02 and its related amendments using a modified retrospective approach as of January 1, 2022, which resulted in the recognition of an operating right-of-use asset totaling \$174,733, and an operating lease liability totaling \$174,466. The Organization elected to adopt the transition relief provisions from ASU 2018-11 as of January 1, 2022 for the year ended December 31, 2022 without restating any prior year amounts or disclosures.

Note 2—Summary of Significant Accounting Policies—Continued

Cash and Cash Equivalents—For the purpose of the statement of cash flows, the Organization considers cash on hand and cash in other depository institutions with an original maturity of three months or less to be cash equivalents.

Investments—The Organization records investments at their fair market value. Contributed securities are stated at their market value on the date of donation. Realized gains and losses on sales of securities are determined based on the cost of the individual securities and the sale price at the date of sale. Unrealized gains and losses on marketable securities are calculated as the difference between cost and market of all securities on hand from one year to the next based on market value at December 31, 2023 and 2022, and are reported net of management fees, as investment return, net in the statement of activities. Interest and dividend income earned on investments is recognized when earned and is reported as interest and dividends under revenue and support in the statement of activities.

Grants and Contributions Receivable—Grants and contributions receivable at December 31, 2023 and 2022 consist of amounts due from local foundations and organizations, stated at the amount management expects to collect.

Property and Equipment—Property and equipment are stated at cost if purchased or estimated fair market value at date of gift, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which is five to seven years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Individual items valued at less than \$1,000 are expensed when purchased or donated. Repairs and maintenance are expensed as incurred.

Concentration of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investments in securities, and grants and contributions receivable.

The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash balances may exceed FDIC insurance limits during the normal course of business.

Cash held in investment accounts at securities brokerage firms is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. Such balances are normally not in excess of the SIPC coverage limits. The Organization's Finance Committee, in consultation with professional investment advisors, determines the composition of the investment portfolio in accordance with a Board-approved investment policy.

While the Organization is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, the Organization's management has assessed the credit risk associated with its cash deposits and investments at December 31, 2023 and 2022 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 11), the potential related impact cannot be reasonably estimated at this time.

Grants and contributions receivable consist of balances from individuals, local foundations and corporations. The Organization has determined that no allowance for potential credit losses due to uncollectible receivables was necessary at December 31, 2023 and 2022. Credit losses related to receivables have historically been immaterial, and management has concluded that, based on its review of balances outstanding, a valuation allowance from selected receivable balances is not necessary.

Note 2—Summary of Significant Accounting Policies—Continued

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Government Grants and Contracts—Revenues from government grants and contracts are reported as increases in net assets without donor restrictions, when allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

Special Events—The Organization conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of benefits received by the participants at the event. The Organization values such benefits at the actual cost.

Donated Services—A substantial number of businesses and unpaid volunteers make significant contributions of time to the Organization's fundraising and operations. Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria are not recognized in the financial statements.

In-kind contributions—The Organization records the value of donated goods and services, which includes donated food and supplies at their fair value at the date of donation. In-kind services are recorded only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Repairs and maintenance are indirectly charged to function benefitted based on usage of square footage. Occupancy, depreciation, and insurance are allocated based on both square footage and direct charge to function. Salaries and wages, payroll taxes, employee benefits, telephone, and travel are allocated on the basis of estimates of time and effort. All other functional expenses are directly charged to program and/or supporting services benefitted.

Advertising and Promotion Expense—Advertising and promotion costs are expensed as incurred and amounted to \$39,726 and \$17,160 for the years ended December 31, 2023 and 2022, respectively.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most sensitive estimates affecting the financial statements are the valuation of donated food, and the valuation of donated volunteer service hours.

Food Finders, Inc.
Notes to Financial Statements—Continued

Note 3—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet 3-6 months cash operating expenses (approximately \$800,000 to 1,300,000).

The following represents the availability and liquidity of the Organization's financial assets at December 31, 2023 and 2022 to cover operating expenses for the next fiscal year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 260,234	\$ 710,257
Investments	270,221	11,991
Contributions receivable	54,569	
Current Availability of Financial Assets	<u>\$ 585,024</u>	<u>\$ 722,248</u>

Additionally, the Organization held a board operating reserve for critical needs totaling \$185,352 and \$163,957, respectively at December 31, 2023 and 2022, which could be made available to meet any unforeseen circumstances.

Note 4—Investment and Fair Value Measurements

In determining the fair value of investments, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs that can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Organization to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Organization had no assets or liabilities classified at NAV as a practical expedient during the years ended December 31, 2023 and 2022.

Food Finders, Inc.
Notes to Financial Statements—Continued

Note 4—Investment and Fair Value Measurements—Continued

Fair values of assets and liabilities measured on a recurring basis at December 31, 2023 and 2022 consist of investments in mutual funds and equities, which are considered to have Level 1 inputs. Investment activity for the years ended December 31, 2023 and 2022 is follows:

	<u>2023</u>	<u>2022</u>
Unrealized gain (loss) on investments	\$ 332	\$ (252)
Investment management fees	(195)	(100)
Investment Return, Net	137	(352)
Interest and dividends	471	444
Total Return on Investment	\$ 608	\$ 92

Note 5—Property and Equipment, Net

Property and equipment at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Transportation equipment	\$ 573,807	\$ 329,791
Leasehold improvements	12,071	12,071
Equipment	127,117	156,217
	712,995	498,079
Less accumulated depreciation	(441,163)	(391,715)
Net	\$ 271,832	\$ 106,364

Depreciation expense amounted to \$49,448 and \$58,676 for the years ended December 31, 2023 and 2022, respectively.

Note 6—Net Assets

Net assets without donor restrictions include a board-designated reserve to fund for critical needs. Net assets without donor restrictions for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 887,609	\$ 659,474
Board-designated endowment	163,957	185,352
Total Net Assets Without Donor Restrictions	\$ 1,051,566	\$ 844,826

Food Finders, Inc.
Notes to Financial Statements—Continued

Note 6—Net Assets—Continued

Net assets with donor restrictions for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Food 4 Kids	\$ 238,792	\$ 436,466
Food distributions	72,949	163,282
Time restriction	44,569	
Port of Long Beach sponsorship	10,000	
Warehouse sponsorship		10,000
Truck sponsorship		5,000
Total Net Assets With Donor Restrictions	<u>\$ 366,310</u>	<u>\$ 614,748</u>

Net assets released from donor restrictions for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Food 4 Kids	\$ 265,182	\$ 67,807
Food distributions	251,099	90,050
Wages		47,103
Warehouse sponsorship		10,000
Other		3,667
Truck sponsorship		1,090
Health Choices Ahead		497
Total Net Assets Released from Donor Restrictions	<u>\$ 516,281</u>	<u>\$ 220,214</u>

Note 7—Prior Period Restatement

Following a detailed reconciliation of historic cash and fiscal sponsor activity, it was determined that cash at December 31, 2021 was overstated by of \$64,125. As a result, beginning of year net assets without donor restrictions and beginning cash and cash equivalents have been reduced by \$64,125 for the year ended December 31, 2022.

Note 8—Donated Food and Services

Donated materials for the years ended December 31, 2023 and 2022 consist of food donations valued at \$1.93 and \$1.92 per pound, respectively. These valuations are based on cost studies conducted for Feeding America's June 30, 2023 and 2022 audits. For the years ended December 31, 2023 and 2022, the Organization recognized donated food totaling \$31,011,597 and \$26,302,735, respectively. The Organization recorded \$71,443, and \$20,961, at December 31, 2023 and 2022 respectively, in food donations held in inventory at year-end. Food donations are included in the food distributions caption of the functional expense schedule.

The Organization also receives in-kind contributions of food distribution services from volunteer drivers who deliver food to partner agencies, without which, the Organization could not operate. However, such contributions are not reflected in the accompanying financial statements as they do not meet the criteria for recordation under current accounting standards. During the years ended December 31, 2023 and 2022, the Organization received, respectively, 64,404 and 99,530 in contributed food distribution service hours. The estimated value of these services is \$1,094,868 and \$1,692,010, respectively, for the years ended December 31, 2023 and 2022, valued at \$17 per hour in each year.

Food Finders, Inc.
Notes to Financial Statements—Continued

Note 9—Contingencies

In the normal course of operations, the Organization is subject to certain loss contingencies, such as litigation. In management's opinion, the liability, if any, for such contingencies will not have a material effect on the Organization's financial position.

Note 10—Lease Commitments

In January 2020, the Organization entered into a sixty-three-month lease agreement for an office facility located in Los Alamitos, California, commencing on February 1, 2020. The terms of the agreement require monthly payments of \$5,760 and are subject to annual increases. In April 2020, the Organization entered into a thirty-six-month lease agreement for a printer, commencing on May 1, 2020. The terms of the agreement require monthly payments of \$75. Facility expenses for the years ended December 31, 2023 and 2022 totaled \$73,719 and \$73,719, respectively.

Future minimum payments under this lease are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 77,611
2025	26,517
Gross Rental Payments	\$ 104,128
Less effect of discounting	(1,821)
Operating Lease Liability	\$ 102,307

Note 11—Risks and Uncertainties

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 2, at times, the Organization maintains cash and cash equivalents and investment balances in excess of federally-insured limits. Given the uncertainty of the situation, the potential related financial impact cannot be reasonably estimated at this time.

Note 12—Subsequent Events

Management evaluated all activities of the Organization through July 23, 2024, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.